

# **Reynolds Township**

**Montcalm County, Michigan**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended March 31, 2008**

# Reynolds Township

Montcalm County, Michigan

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March 31, 2008

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## INDEPENDENT AUDITORS' REPORT

To the Board  
Reynolds Township  
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Reynolds Township as of and for the year ended March 31, 2008 and 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Reynolds Township management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Reynolds Township as of March 31, 2008 and 2007, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



Grand Rapids, Michigan  
September 26, 2008

# Reynolds Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net assets increased 2% from a year ago, increasing from \$1,724,777 to \$1,765,753. This results from minimizing expenditures in the General Fund.

In a condensed format, the table below shows a comparison of the net assets as of March 31, 2008 to the prior year:

	Governmental Activities	
	2008	2007
Current assets	\$ 500,799	\$ 433,369
Noncurrent assets	1,435,190	1,471,547
<b>Total assets</b>	<b>1,935,989</b>	<b>1,904,916</b>
Long-term debt outstanding	169,840	169,840
Other liabilities	396	10,709
<b>Total liabilities</b>	<b>170,236</b>	<b>180,549</b>
<b>Net assets</b>		
Invested in capital assets - net of debt	1,265,350	1,291,777
Restricted	57,721	39,953
Unrestricted	442,682	393,047
<b>Total net assets</b>	<b>\$ 1,765,753</b>	<b>\$ 1,724,777</b>

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$49,635 for the governmental activities. This represents an increase approximately 3%. The current level of unrestricted net assets for our governmental activities stands at \$442,682, or about 68% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

# Reynolds Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of March 31, 2008 to the prior year:

	2008	2007
<b><u>Program revenues</u></b>		
Charges for services	\$ 67,066	\$ 60,269
Operating grants and contributions	136,414	124,987
Capital grants and contributions	5,626	10,748
<b><u>General Revenue</u></b>		
Property tax	258,179	226,457
State revenue	190,674	191,898
Unrestricted investment income	24,670	13,587
Franchise fees	3,245	2,954
Miscellaneous	3,121	20,663
<b>Total Revenues</b>	<b>688,995</b>	<b>651,563</b>
<b><u>Program expenses</u></b>		
General government	185,163	210,389
Public safety	90,924	97,500
Public works	90,751	58,721
Community development	10,370	11,201
Recreation and culture	262,441	206,062
Interest on long-term debt	8,370	
<b>Total expenses</b>	<b>648,019</b>	<b>583,873</b>
<b>Change in net assets</b>	<b>\$ 40,976</b>	<b>\$ 67,690</b>

### **Governmental Activities**

There was no significant change in governmental activities from the previous year.

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 was the General Fund and the Library Special Revenue Fund.

### **Capital Asset and Debt Administration**

At the end of 2008, the Township had \$1,435,190, net of accumulated depreciation, invested in land, building and equipment.

At the end of 2008, the Township had \$169,840 of long-term debt incurred for the construction of a library building. Repayment of this debt will be made by the Library Fund.

# **Reynolds Township**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2009 remains little changed from 2008 because the Township has no plans to add long-term debt and expects to make no significant additions to its capital assets. The Township's management has identified no economic factors that may have a significant impact on the Township's financial condition in the foreseeable future.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor at the Reynolds Township Hall, 215 E. Edgerton Street, PO Box 69, Howard City, MI 49329. The Township's phone number is (231) 937-6739.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# Reynolds Township

Montcalm County, Michigan

## Statement of Net Assets

For the year ended March 31, 2008

	Governmental activities
<b><u>GOVERNMENTAL ASSETS</u></b>	
Cash and cash equivalents	\$ 465,756
Receivables (net)	35,043
Capital assets (net)	1,435,190
<b>TOTAL ASSETS</b>	<b>\$ 1,935,989</b>
<b><u>GOVERNMENTAL LIABILITIES</u></b>	
Accrued and other liabilities	\$ 396
Due within one year	10,391
Due in more than one year	159,449
<b>TOTAL LIABILITIES</b>	<b>170,236</b>
<b><u>GOVERNMENTAL NET ASSETS</u></b>	
Reserved for	57,721
Invested in capital assets (net of related debt)	1,265,350
Unrestricted	442,682
<b>TOTAL NET ASSETS</b>	<b>1,765,753</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,935,989</b>

The Notes to the Financial Statements are an integral part of this statement.



# Reynolds Township

Montcalm County, Michigan

## Statement of Activities

For the year ended March 31, 2008

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
<b>PRIMARY GOVERNMENT EXPENSES</b>					
General government	\$ 185,163	\$ 46,410	\$ -	\$ -	\$ (138,753)
Public safety	90,924	-	-	-	(90,924)
Public works	90,751	-	-	-	(90,751)
Community and economic development	10,370	1,625	-	-	(8,745)
Recreation and culture	262,441	19,031	136,414	5,626	(101,370)
Interest on long-term debt	8,370	-	-	-	(8,370)
<b>Total Governmental activities</b>	<b>\$ 648,019</b>	<b>\$ 67,066</b>	<b>\$ 136,414</b>	<b>\$ 5,626</b>	<b>(438,913)</b>

### General Revenues

Property taxes	258,179
State-shared revenue	190,674
Unrestricted investment income	24,670
Franchise fees	3,245
Miscellaneous	3,121
<b>Total general revenues - special items and transfers</b>	<b>479,889</b>

<b>Change in net assets</b>	<b>40,976</b>
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<b>Net assets at beginning of year</b>	<b>1,724,777</b>
<b>Net assets at end of year</b>	<b>\$ 1,765,753</b>

The Notes to the Financial Statements are an integral part of this statement.

# Reynolds Township

Montcalm County, Michigan

Governmental Funds

Balance Sheet

March 31, 2008

	General Fund	Library Fund	Nonmajor Fund	Total
<b>ASSETS</b>				
Cash	\$ 250,605	\$ 157,430	\$ 57,721	\$ 465,756
Receivables				
Accounts	146	-	-	146
Taxes	23,543	11,354	-	34,897
<b>TOTAL ASSETS</b>	<b>\$ 274,294</b>	<b>\$ 168,784</b>	<b>\$ 57,721</b>	<b>\$ 500,799</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Payroll deductions payable	\$ -	\$ 396	\$ -	\$ 396
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>396</b>	<b>-</b>	<b>396</b>
<b>FUND BALANCES</b>				
Reserved for				
Capital Projects	-	-	57,721	57,721
Undesignated	274,294	168,388	-	442,682
<b>TOTAL FUND BALANCES</b>	<b>274,294</b>	<b>168,388</b>	<b>57,721</b>	<b>500,403</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 274,294</b>	<b>\$ 168,784</b>	<b>\$ 57,721</b>	<b>\$ 500,799</b>

The Notes to the Financial Statements are an integral part of this statement.

# Reynolds Township

Montcalm County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended March 31, 2008

Total fund balances - total governmental funds	\$	500,403
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	1,554,909
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Accumulated depreciation	(119,719)
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Net capital assets	1,435,190
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Installment purchase contracts payable	(169,840)
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Net assets of governmental activities	\$	1,765,753
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The Notes to the Financial Statements are an integral part of this statement.

# Reynolds Township

Montcalm County, Michigan

Governmental Funds

## Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended March 31, 2008

	General Fund	Library Fund	Nonmajor Funds	Total
<b>REVENUE</b>				
Property taxes	\$ 194,937	\$ 99,446	\$ -	\$ 294,383
State grants	190,674	14,296	-	204,970
Licenses and permits	4,550	-	-	4,550
Intergovernmental	-	74,373	-	74,373
Charges for services	10,526	11,188	-	21,714
Fines	-	55,588	-	55,588
Interest and rents	18,130	5,098	1,439	24,667
Contributions	-	76	5,550	5,626
Other	661	2,460	-	3,121
<b>TOTAL REVENUE</b>	<b>419,478</b>	<b>262,525</b>	<b>6,989</b>	<b>688,992</b>
<b>EXPENDITURES</b>				
General government	155,005	-	-	155,005
Public Safety	90,923	-	-	90,923
Public works	90,751	-	-	90,751
Community and economic development	10,370	-	-	10,370
Recreation and culture	555	227,338	-	227,893
Other governmental functions	27,426	-	-	27,426
Capital outlay	-	-	921	921
Debt service	-	-	18,300	18,300
<b>TOTAL EXPENDITURES</b>	<b>375,030</b>	<b>227,338</b>	<b>19,221</b>	<b>621,589</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>44,448</b>	<b>35,187</b>	<b>(12,232)</b>	<b>67,403</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	(30,000)	-	-	(30,000)
Transfer in	-	-	30,000	30,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(30,000)</b>	<b>-</b>	<b>30,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>14,448</b>	<b>35,187</b>	<b>17,768</b>	<b>67,403</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>259,846</b>	<b>133,201</b>	<b>39,953</b>	<b>433,000</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 274,294</b>	<b>\$ 168,388</b>	<b>\$ 57,721</b>	<b>\$ 500,403</b>

The Notes to the Financial Statements are an integral part of this statement.

# Reynolds Township

Montcalm County, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended March 31, 2008

Net change in fund balances - total governmental funds	\$	67,403
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		5,041
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.		9,930
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(41,398)
Change in net assets of government activities	\$	40,976

The Notes to the Financial Statements are an integral part of this statement.

# Reynolds Township

Montcalm County, Michigan

Fiduciary Fund

## Statement of Net Assets

For the year ended March 31, 2008

		Agency Fund Type
Cash	\$	6,322
Undistributed taxes	\$	6,322

The Notes to the Financial Statements are an integral part of this statement.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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# Reynolds Township

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Reynolds Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Reynolds Township:

#### **A. Reporting Entity**

Reynolds Township is governed by an elected five member Board. The Township has no component units, entities for which the government is considered to be financially accountable.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

This reporting model provides for separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Reynolds Township has no proprietary funds. The Township has one fiduciary fund, the Tax Agency Fund.



# Reynolds Township

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Reynolds Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Reynolds Township as of the preceding December 31st.

Although Reynolds Township's 2007 ad valorem tax is levied and collectible on December 1, 2007, it is Reynolds Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of Reynolds Township totaled \$110,015,756 for General Operations and Library Operations and \$70,895,510 for the Fire and Public Safety Millage on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operation	0.8351 \$	91,874
Library	0.8351	91,874

The Township also assess a 1% special assessment to provide Fire and Police Protection.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Library Fund accounts for property taxes and other revenues used to operate the library.

Library Capital Projects Fund accounts for donations and other money used to construct and furnish a library building.

# Reynolds Township

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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Additionally, the government reports the following fund types:

### Capital Project Fund Type

The Township Hall Capital Projects Fund accounts for money set aside for improvements to the Township hall.

### Fiduciary Fund Type

The Trust and agency fund accounts for property tax collected on behalf of the Township and other units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

## D. Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**Capital Assets**--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# **Reynolds Township**

**Montcalm County, Michigan**

## **Notes to Basic Financial Statements**

**For the year ended March 31, 2008**

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### **NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.**

**The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:**

**On or before March 1, the Township Supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.**

**A public hearing is conducted at the Township hall to obtain taxpayer comments.**

**On or before March 31, the budget is adopted by resolution.**

**Any revisions that alter the total expenditures of any fund must be approved by the Township Board.**

**Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31. Individual amendments were not material in relation to the original appropriations which were amended.**

**Budgets as presented for the General Fund and the Library Special Revenue Fund and are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.**

**Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.**

**The Township legally adopts budgets for the General Fund.**

**Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.**

**The legal level of control is at the activity level of the General Fund.**

**The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.**

**The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.**

**Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.**

# Reynolds Township

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes Reynolds Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At the year end, the Township had \$342,981 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Reynolds Township

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

### NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Library
Taxes receivable	\$ 23,543	\$ 11,354
Accounts	146	-

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Assets not being depreciated				
Land	\$ 106,300	\$	\$	106,300
Construction in progress				
Capital assets being depreciated:				
Buildings	1,434,514	5,041		1,439,555
Furniture and equipment	9,054			9,054
Subtotal	1,443,568	5,041		1,448,609
Accumulated depreciation:				
Buildings	75,185	40,313		115,498
Furniture and equipment	3,136	1,085		4,221
Subtotal	78,321	41,398		119,719
Net capital assets being depreciated	1,365,247	(36,357)		1,328,890
Net capital assets	\$ 1,471,547	\$ (36,357)	\$	1,435,190

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 7,771
Recreation and culture	33,627
Total governmental activities	\$ 41,398

# Reynolds Township

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

### **NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

#### Interfund Transfers

Transfers In	Transfers Out
	Library Fund
Township Hall Capital Projects Fund	\$ 30,000

### **NOTE 7 - LONG-TERM DEBT**

The Township entered into an installment purchase agreement with Independent Bank to fund the construction of a Library Building. This debt will be repaid from property taxes collected for Library operations.

Bond and contractual obligation activity can be summarized as follows:

	Balance			Balance	Due within
	April 1, 2007	Additions	Reductions	March 31, 2008	one year
Library Construction Installment					
Purchase Agreement	\$ 179,770	\$	\$ 9,930	\$ 169,840	\$ 10,391

Annual debt service requirements to maturity for the above obligations are as follows:

December 31,	Bonds Payable		Total
	Principal	Interest	
2009	\$ 10,391	\$ 7,898	\$ 18,289
2010	10,874	7,415	18,289
2011	11,380	6,909	18,289
2012	11,909	6,380	18,289
2013	12,463	5,826	18,289
2014	13,042	5,247	18,289
2015	13,649	4,640	18,289
2016	14,284	4,005	18,289
2017	14,948	3,341	18,289
2018	15,643	2,646	18,289
2019	16,371	1,918	18,289
2020	17,132	1,157	18,289
2021	7,754	361	8,115
Totals	\$ 169,840	\$ 57,743	\$ 227,583

### **NOTE 8 - RISK MANAGEMENT**

Reynolds Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Reynolds Township has purchased commercial insurance for all claims and participates in the Accident Fund for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# Reynolds Township

Montcalm County, Michigan

## Notes to Basic Financial Statements

For the year ended March 31, 2008

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### **NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS**

The Township has no post-retirement benefit plans at this time.

### **NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

#### Defined Contribution Pension Plan

Reynolds Township provides pension benefits to certain employees through defined contribution plans with Ing Annuity and Life Insurance Company and Gleaners Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Reynolds Township contributes an amount equal to 7.5 percent of all Township Board members' salaries toward the purchase of individual annuities to provide retirement benefits. Contributions to the plan for the current year totaled \$6,636 based on a covered payroll of \$54,000. Total Township payroll was \$184,751. Retirement benefits are limited to the amount of annuities purchased on behalf of each employee.

## REQUIRED SUPPLEMENTAL INFORMATION

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# Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2008

	Original budget	Final budget	Actual	Variance with final budget	2007
<b>REVENUES</b>					
Property Taxes					
Current real property taxes	\$ 153,000	\$ 153,000	\$ 158,733	\$ 5,733	\$ 146,935
Penalties and interest on taxes	-	-	-	-	1,030
Property tax administration fee	34,500	34,500	36,204	1,704	38,401
<b>Total Property Taxes</b>	<b>187,500</b>	<b>187,500</b>	<b>194,937</b>	<b>7,437</b>	<b>186,366</b>
State Grants					
State revenue sharing	184,650	184,650	185,348	698	183,815
Other state grants	5,000	5,000	5,326	326	5,366
<b>Total State Grants</b>	<b>189,650</b>	<b>189,650</b>	<b>190,674</b>	<b>1,024</b>	<b>189,181</b>
Licenses and Permits					
Non-business licenses and permits	500	500	630	130	730
Business licenses and permits	3,400	3,400	3,920	520	2,968
<b>Total Licenses and Permits</b>	<b>3,900</b>	<b>3,900</b>	<b>4,550</b>	<b>650</b>	<b>3,698</b>
Charges for Services					
Services rendered	5,200	5,200	10,526	5,326	3,109
Interest and Rentals					
Interest and dividends	6,000	6,000	18,130	12,130	7,851
Other Revenue					
Refunds	500	500	487	(13)	946
Other	-	-	174	174	2,789
<b>Total Other Revenue</b>	<b>500</b>	<b>500</b>	<b>661</b>	<b>161</b>	<b>3,735</b>
<b>TOTAL REVENUES</b>	<b>392,750</b>	<b>392,750</b>	<b>419,478</b>	<b>26,728</b>	<b>393,940</b>

# Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2008

	Original budget	Final budget	Actual	Variance with final budget	2007
<b>EXPENDITURES</b>					
General government					
Township board	\$ 4,700	\$ 4,700	\$ 4,108	\$ 592	\$ 5,044
Supervisor	15,500	15,510	15,348	162	16,725
Clerk	20,050	20,535	20,328	207	22,387
Audit	1,750	1,750	1,650	100	1,600
Board of review	1,150	1,315	1,155	160	1,818
Treasurer	24,750	25,020	23,734	1,286	26,584
Assessor	39,650	39,690	39,239	451	43,439
Elections	1,650	3,770	3,121	649	10,523
Building and grounds	32,400	33,505	28,679	4,826	42,761
Attorney	4,000	4,030	4,028	2	5,665
Cemetery	7,700	14,510	13,615	895	11,496
<b>Total General government</b>	<b>153,300</b>	<b>164,335</b>	<b>155,005</b>	<b>9,330</b>	<b>188,042</b>
Public safety					
Police	45,000	35,545	35,535	10	37,139
Fire department	45,000	55,395	55,388	7	60,361
<b>Total Public safety</b>	<b>90,000</b>	<b>90,940</b>	<b>90,923</b>	<b>17</b>	<b>97,500</b>
Public works					
Drains	500	1,440	1,438	2	21
Street lighting	3,000	3,055	3,055	-	3,145
Highways, streets and bridges	96,500	96,500	86,258	10,242	55,555
<b>Total Public works</b>	<b>100,000</b>	<b>100,995</b>	<b>90,751</b>	<b>10,244</b>	<b>58,721</b>
Community and economic development					
Planning	1,500	3,225	2,870	355	1,326
Zoning	9,850	9,850	7,500	2,350	9,875
<b>Total Community and economic development</b>	<b>11,350</b>	<b>13,075</b>	<b>10,370</b>	<b>2,705</b>	<b>11,201</b>
Recreation and culture					
Parks and recreation	350	555	555	-	500

# Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2008

	Original budget	Final budget	Actual	Variance with final budget	2007
Other governmental functions					
Retirement	10,000	11,410	6,636	4,774	4,095
Social security	1,000	1,000	400	600	749
Other	14,000	23,405	20,390	3,015	10,236
Capital outlay	10,000	10,000	-	10,000	-
Total Other governmental functions	35,000	45,815	27,426	18,389	15,080
<b>TOTAL EXPENDITURES</b>	<b>390,000</b>	<b>415,715</b>	<b>375,030</b>	<b>40,685</b>	<b>371,044</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers out	-	-	(30,000)	(30,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,750</b>	<b>(22,965)</b>	<b>14,448</b>	<b>37,413</b>	<b>22,896</b>
<b>Fund balance at beginning of year</b>	<b>259,846</b>	<b>259,846</b>	<b>259,846</b>	<b>-</b>	<b>236,950</b>
<b>Fund balance at end of year</b>	<b>\$ 262,596</b>	<b>\$ 236,881</b>	<b>\$ 274,294</b>	<b>\$ 37,413</b>	<b>\$ 259,846</b>

# Reynolds Township

Montcalm County, Michigan

Library Fund

## Budgetary Comparison Schedule

For the year ended March 31, 2008

	Original and final budget	Actual	Variance with final budget	2007
<b>REVENUE</b>				
Current real property taxes	\$ 69,000	\$ 99,446	\$ 30,446	\$ 79,522
Other state grants	18,650	14,296	(4,354)	8,467
Intergovernmental	70,000	74,373	4,373	85,679
Services rendered	11,920	11,188	(732)	10,949
Fines and forfeitures	49,200	55,588	6,388	49,543
Interest and dividends	3,000	5,098	2,098	4,231
Contributions and donations	-	76	76	6,682
Other	420	2,460	2,040	1,760
<b>TOTAL REVENUE</b>	<b>222,190</b>	<b>262,525</b>	<b>40,335</b>	<b>246,833</b>
<b>EXPENDITURES</b>				
Library	210,541	227,338	(16,797)	231,082
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,649</b>	<b>35,187</b>	<b>23,538</b>	<b>15,751</b>
<b>Fund balance beginning of year</b>	<b>133,201</b>	<b>133,201</b>	<b>-</b>	<b>117,450</b>
<b>Fund balance end of year</b>	<b>\$ 144,850</b>	<b>\$ 168,388</b>	<b>\$ 23,538</b>	<b>\$ 133,201</b>

## OTHER SUPPLEMENTAL INFORMATION

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# Reynolds Township

Montcalm County, Michigan

Governmental Funds

Combined Balance Sheet

March 31, 2008

	Library Building Capital Projects		Township Hall Capital Project		Total
<b><u>ASSETS</u></b>					
Cash	\$	10,204	\$	47,517	\$ 57,721
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
<b>FUND EQUITY</b>					
Reserved for					
Capital projects	\$	10,204	\$	47,517	\$ 57,721

# Reynolds Township

Montcalm County, Michigan

Governmental Funds

Combined Statement of Revenue, Expenditures and Changes in Fund Balances

March 31, 2008

	Library Building Capital Projects	Township Hall Capital Project	Total
<b>REVENUE</b>			
Interest and rents	\$ 113	\$ 1,326	\$ 1,439
Contributions and donations	5,550	-	5,550
<b>TOTAL REVENUE</b>	<b>5,663</b>	<b>1,326</b>	<b>6,989</b>
<b>EXPENDITURES</b>			
Capital outlay	921	-	921
Debt service			
Principal	9,930	-	9,930
Interest	8,370	-	8,370
<b>TOTAL EXPENDITURES</b>	<b>19,221</b>	<b>-</b>	<b>19,221</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(13,558)</b>	<b>1,326</b>	<b>(12,232)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	30,000	30,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>(13,558)</b>	<b>31,326</b>	<b>17,768</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>23,762</b>	<b>16,191</b>	<b>39,953</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 10,204</b>	<b>\$ 47,517</b>	<b>\$ 57,721</b>

## LONG-TERM DEBT SCHEDULE

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# Reynolds Township

Reynolds Township

Schedule of Bonded Debt

\$194,406 Library Building Construction Purchase Agreement, 2006

March 31, 2008

Year ended	Interest Rate	Principal	Interest	Total
2009	4.650%	\$ 10,391	\$ 7,898	\$ 18,289
2010	4.650%	10,874	7,415	18,289
2011	4.650%	11,380	6,909	18,289
2012	4.650%	11,909	6,380	18,289
2013	4.650%	12,463	5,826	18,289
2014	4.650%	13,042	5,247	18,289
2015	4.650%	13,649	4,640	18,289
2016	4.650%	14,284	4,005	18,289
2017	4.650%	14,948	3,341	18,289
2018	4.650%	15,643	2,646	18,289
2019	4.650%	16,371	1,918	18,289
2020	4.650%	17,132	1,157	18,289
2021	4.650%	7,754	361	8,115
Totals		\$ 169,840	\$ 57,743	\$ 227,583

## AUDITORS' REPORTS

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## Internal Control Matters

September 26, 2008

The Board  
Reynolds Township  
Montcalm County, Michigan

The following comments pertain to our audit of the financial records of Reynolds Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards No. 112 "Communicating Internal Control Related Matters Identified in an Audit" which has the following two unconditional requirements:

- The auditor must evaluate identified control deficiencies and determine whether those deficiencies, individually or in combination, are significant deficiencies or material weaknesses.
- The auditor must communicate, in writing, significant deficiencies and material weaknesses to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following are examples of circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP and GASB in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

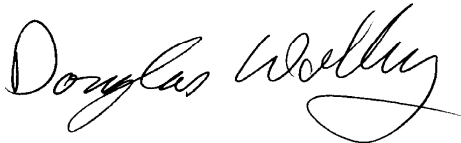
The management of Reynolds Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Reynolds Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Reynolds Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

- Employees or management who lack the qualifications and training to fulfill certain functions; specifically, the lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements in recording the Township's financial transactions or preparing its financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive, flowing style with a large, stylized 'D' and 'W'.

Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
September 26, 2008

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board  
Reynolds Township  
Montcalm County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynolds Township for the year ended March 31, 2008, and have issued our report thereon dated September 26, 2008. Professional standards require that we provide you with the following information related to our audit

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 2, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 2, 2008.

### Significant Accounting Practices

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Reynolds Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Describe most significant estimate(s)

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of risk management in Note 8 to the financial statements. The Village is exposed to various risks related to property loss, torts, errors and omissions and employee injuries. The Village is covered by insurance through the MCM Group..

To the Township Board  
Reynolds Township  
Montcalm County, Michigan

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Audit Adjustments (Corrected and Uncorrected Misstatements)**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated Township.

**Management Consultations With Other Independent Accountants**

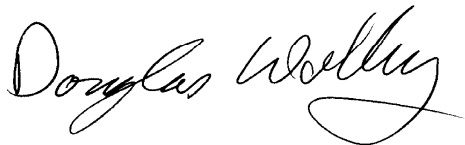
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board and management of Reynolds Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Grand Rapids, Michigan  
September 26, 2008

# Douglas Wohlberg CPA

## Comments On Significant Internal Control Areas for

### Reynolds Township

For the Year Ended March 31, 2008

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Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthroughs".

1. Is the control placed in operation
2. What audit assertions apply to this control
3. Is the control a key control
4. Is the control dependent on IT
5. Is the control manual or automated
6. Is the control properly designed
7. Is the control implemented
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible

The significant internal control areas of Reynolds Township are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the Township's internal controls, based on our observations during the 2007-08 audit process.

#### GENERAL CONTROLS

- The Township should complete a documented system of its accounting procedures and internal controls to insure that its operations are completed as designed and so third parties can review and monitor these policies to insure independent oversight of these processes.
  1. There is no documentation of the Township's accounting procedures and internal controls.

#### BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

#### CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
  1. Tax Account Agency Fund disbursement checks should be reviewed by someone independent of the Treasurer's office. A monthly disbursement report listing checks written could be presented to the Township Board for review and/or reviewed by the Township Clerk on a regular basis.
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures
-



# **Douglas Wohlberg CPA**

## **Comments On Significant Internal Control Areas for**

### **Reynolds Township**

**For the Year Ended March 31, 2008**

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#### **INVESTMENTS**

- Investment policy adoption/implementation/monitoring procedures
  1. The Township Investment Policy should be reviewed annually by the Treasurer and the Township Board (or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in Township governance (a Township Board or Finance Committee member) should be responsible for reviewing Township investments on a regular basis to insure that the requirements of the Investment Policy are being followed.
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

#### **REVENUES AND RECEIVABLES**

- Budgeting and actual-to-budget monitoring procedures
- Property tax billing/collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

#### **EXPENDITURES AND PAYABLES**

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
  1. Checks written by the Township Treasurer for property tax disbursements should be presented to the Township Board for review and approval.
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

#### **PAYROLL**

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

# **Douglas Wohlberg CPA**

## **Comments On Significant Internal Control Areas for**

### **Reynolds Township**

**For the Year Ended March 31, 2008**

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#### **CAPITAL ASSETS**

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
  - 1. The Township Clerk should assume responsibility (now completed by the auditors) for the capital asset/depreciation lapse schedule.

#### **DEBT AND DEBT SERVICE**

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

#### **INFORMATIONAL TECHNOLOGY**

- Internal control framework – policies and procedures
  - 1. The Township should consider adopting a written set of policies and procedures to help establish a documented stable and secure IT environment.
- Township personnel are prohibited from making changes to master files
- There are adequate physical controls over computer facilities
- Software users are prohibited from having access to source code
- Computer access is limited to specific persons and individuals have access to only applications or files that are necessary for their duties
- Passwords are required to be complex and to be changed at regular intervals
  - 1. The passwords used to access accounting and other software should be changed at regular intervals.
- There are appropriate documented procedures for back-up and storage of applications and data files
  - 1. Backups of data on Township software are performed on a regular basis and rotated offsite by a Township official. This process should be formalized and documented, and consideration should be give to encrypting or password protecting the backed up data.
- There is a documented disaster recovery plan and it has been tested
  - 1. There is no current documented plan.